

**Conference Call to Discuss Agriculture Trade Negotiations at the WTO**  
**Ambassador Allen Johnson, Chief Agricultural Negotiator**  
**Wednesday, August 13, 2003, 4:00 pm edt**

**Johnson:** Thank you Ricardo. First of all, thanks to all of you for calling in tonight. At least it's night our time; I guess it's late afternoon your time. We obviously have had some major developments here in Geneva in the last few hours.

I thought it would be useful to just go back for a minute to the beginning of the process. As you all would recall, back in 2001 the Ministers met to launch a new round of negotiations called the Doha Development Agenda. And Agriculture charted a clear course for substantial improvement of market access, substantial reductions of trade distorting domestic support, and reductions with a view towards phasing out export subsidies. We have put forward, as many others have, proposals that we feel very passionately about. And have defended, as others have, our individual positions.

In the last few weeks, particularly in Montreal, we've noticed that a number of Ministers and members of the WTO have asked us, with the EU, to do some homework. What they basically asked us to do is to develop a framework that could possibly serve as a vehicle for moving the Doha agriculture negotiations forward toward Cancun; which in turn would provide some momentum to the overall Doha Development Agenda.

Now we recognized in doing this that the world wasn't saying that the EU and the U.S. should just come up with an agreement. But rather that the EU and the U.S. coming to an agreement is necessary, even though it is not sufficient, for moving the Doha Development Agenda forward. I just comment that since that time, Ambassador Zoellick, Commissioners Lamy, Fischler, Secretary Veneman, and all our teams have taken this assignment, that request for leadership, very seriously and we've dedicated a significant amount of time and energy to this effort over the last couple of weeks. And really, I think the EU and U.S. staffs should be congratulated on their extraordinary efforts that they have made in this period.

So today we have provided a joint proposal to the head of delegations meeting this evening. We think it's useful, and while we believe it provides an important step in that there is a common framework on the road to Cancun and beyond, we don't pretend that it answers every question in that it will be answered in order for Cancun and the DD A to be successful. In particular, we recognize that in a large organization such as the WTO, with some 147 members, each of these members is going to have an obligation to contribute to the success of Cancun and Doha.

Let me just describe briefly what we've talked about doing in our proposal. First of all, we recognize at the beginning that special and differential treatment is an integral part of the negotiations. We at times mentioned specific suggestions but in general felt that it should be a subject of discussion between all members of the WTO, not just two of its developed country members. Specifically, within export subsidies, the UN requested the idea of parallelism between the export credits and export subsidies - Ambassador Zoellick responded to that in Montreal.

So the proposal that we put forward provides a vehicle for moving forward with parallelism in, sort of three parts. One part is eliminating some product export subsidies and credits quickly. Another part is to reduce significantly over some time the use of these tools and then a parallel process while fulfilling the mandate's reductions with a view toward phasing out export subsidies in the end. We included in this also, disciplines on state trading enterprises, such as the Canadian wheat board and others, as well as disciplines on food aid that don't interfere with commercial markets.

In market access, we put forward the idea, the concept of a blended formula back in Montreal - which is really an effort to create some flexibility in an ambitious harmonizing formula in order to see substantial improvement in market access. The framework that we put forward basically serves as this vehicle, it provides for a Swiss formula. It also provides for some flexibility in tariff lines for a Uruguay Round-type of approach, but recognizes that there will be a substantial improvement of market access through tariff cuts or TRQ expansion. It also provides for there being a certain percentage of the tariff lines at zero tariff and a cap overall on how high tariffs can be.

We particularly recognize that developing countries would be interested in a special safeguard mechanisms, as well as having some special and differential treatment in this formula. Finally, on domestic support, what we agreed to was substantial reductions in trade distorting domestic support beyond more than the Uruguay Round, and stressed the need to try to move toward harmonization as well as a framework that provides for a range of reductions in the most trade-distorting practices. A cap on the less trade-distorting practices and a reduction in the de minimis. So in general, I should point out that in addition to that, we listed a number of items where one or both parties had raised issues but we weren't able to come to an agreement in one part of the paper.

So finally, I think in Montreal for those of you that were there or followed it, we talked a lot about homework and tests leading to Cancun. My judgment is that we have passed this test, but the midterm exam isn't until Cancun and the final isn't until the end of 2004. But these results, I think, are a good sign for the future and all members need to be committed in order to create the momentum that really delivers on results for the Doha Development Agenda. So with that I'll stop and answer any questions.

**Q:** Ambassador, this is Sam Gilston with Washington Tariff and Trade Letter. Are the details of this proposal going to be in writing and available to us?

**Johnson:**

I know that some of the press have gotten them. I'm not quite sure how they've gotten them. I think there will be a job number - in fact I know there is a job number in the WTO on it. So that presumes to me that it will be available.

**Reyes:** Sam if you want them, or if anyone on the line who wants them, you can email me Ricardo Reyes, [rreyes@ustr.gov](mailto:rreyes@ustr.gov), and I can get those out to you guys.

**Q:** Ambassador, this is Paul Mela from the New York Times. Would it be true to say that what you have agreed with the Europeans is that you've agreed to limit the amount of subsidies to farmers at five percent of the total value of agricultural production.

**Johnson:** The way that it is outlined here is that there are really three components. Well I should say that there is an overall commitment and we explicitly say in here that developed countries should achieve reductions in trade distorting support significantly larger than the Uruguay round. Particularly with members that have higher trade distorting subsidies making a greater effort.

Then it's broken out into three areas. One is the most trade-distorting support. We put down a range that those subsidies should be reduced. Then we talk about less trade-distorting support; that provides for a cap, which currently on these types of policies there is no cap, it's unlimited, of five percent of the value production. Finally, we talk about reducing the de minimis, which is something that the EU primarily uses, by some percentage.

I should have started by saying there are not specific numbers in this proposal. Really, what we are trying to do is get a framework that allows for us all to at least work from the same framework. As those of you that have followed this closely know, the EU and the U.S. have just had fundamentally different approaches which has to a large extent, stalled the negotiations. So at least now we are all starting from the same framework and the negotiations will intensify in putting numbers where these blanks are.

**Q:** Ambassador Johnson, this is Ian Swanson from Inside US Trade, I had a question on the export credit portion of the paper. I'm not sure I understand how parallelism would work when the US uses export credit programs on a commodity but the EU currently does not use export subsidies on that commodity. There are no export subsidies for the EU to reduce and eliminate it on a specific commodity? Does that mean the US is free to keep using export credit subsidies?

**Johnson:** What the idea was - you might recall from Montreal, Commissioner Fischler put forward the proposal - that they were ready to eliminate export subsidies on some products relatively quickly, but he wanted parallelism with those same products. We've risen to that challenge and said "Well, you eliminate export subsidies on your products and we'll do the same." But we don't stop there, what we go on to say is, "There will be a commitment to reduce budgetary and quantitative allowances for export subsidies and an equivalent effect on export credits for the remaining products." Finally, we point out the Doha language as it relates to the reductions of view toward phasing out all forms of export subsidies and specifically mention that credits and subsidies will occur along the same schedule. So there are multiple parts to this but the idea is to eliminate some as soon as possible, reduce the others, and then eventually fulfill the Doha mandate that we all agreed to in Doha.

**Q:** Ian Swanson, Inside US Trade, So does this mean that there would be new disciplines on all U.S. export credits?

**Johnson:** Well in addition to what we put here, as you know there has been a rather long technical discussion in Geneva on the use of export credits, on when and how they are used. A

lot of that work that has been done would continue. This was not an attempt to capture every issue that is of consideration in these negotiations. What it really was to focus on, in the limited time that we had, on some of the major issues that were clearly creating a wall toward making progress in Cancun. So by doing this we think we've created a major breakthrough. I think most others would agree even if they don't agree exactly with the substance.

**Q:** Ambassador Johnson this is Peter Shin with National Association of Farm Broadcasters. My question is, our allies in the Cairns group have they been fully assessed of this. Do they also see this as a breakthrough? And in the direction that the US has had to move toward the European position, does that give you any cause for concern about support from US producers.

**Johnson:** Let me take the second question first, which is what we stated all along in our proposal, going back a year ago in the WTO, has been that we wanted to see a movement toward harmonization of domestic support. This provides for that. It explicitly says that members with higher trade distorting subsidies will make greater efforts. Under the category of most trade distorting domestic support measures, it provides for range which obviously implies that those that have higher numbers would cut more. So that is something we've been talking about, and I know it's important for our domestic industry.

The same concept in market access, harmonization, is an extremely important issue; and so for the first time we've got commitment. I was just in a discussion with the Europeans, the first time they have committed to apply the Swiss formula to their products, so that is a major breakthrough.

And then on export subsidies, what we are really saying is that clearly our view is toward phasing them out, but we want to get as many of them done as quickly as possible. And we are willing to talk about parallelism when it comes to stopping the use of our credits at the same time they eliminate the export subsidies of those products. So I think, for the most part, this is what we have been talking about with the U.S. ag community all along, and I think we have made some good steps there.

Now in any negotiation, you don't get everything you want, but I think we have gotten a lot of what we are looking for. In terms of the Cairns and other countries, I just literally got here this afternoon, about two hours before we provided this to the head of delegations meeting, so I personally have not had a chance to meet with the Cairns group yet. I'm looking forward to doing that in the coming days as well as with other countries. Again, needless to say, I'm sure a lot of countries would have written different things differently; in fact, we would have written different things differently. But this is part of the challenge that was given to us in Montreal: That the US and EU showed some leadership and tried to move the process forward, and that is what we are trying to do.

**Q:** Andrew Schnider, Kiplinger letter, Ambassador, do you foresee the movement forward on some sort of an agreement with the Europeans on agriculture as helping to secure a greater movement at Cancun and then a Doha for support for services issues from the developing countries?

**Johnson:** I think the bottom line is that as we've said from the beginning, as was said in Doha, and has been said ever since from just about everybody: Agriculture is the critical core part these negotiations. If agriculture doesn't move forward, nothing is going to move forward. So to the extent that trying to move the ball forward in agriculture helps the overall negotiations, that's a positive sign. In terms of if the implication is that there is some sort of exchange between this and some other sector, that hasn't been part of the discussion at all. We just know that getting agriculture moving is a prerequisite toward anything moving.

This is Doug Palmer with Reuters news service. I just wondered if you could characterize how close the US and EU really are at this point because there still are quite a few blanks in this joint text that seems like its going to take some difficult negotiations to resolve. How much ground have you really covered here?

**Johnson:** I think it's a significant ground in that the polarization that's been, for example, in the Uruguay Round approach versus the Swiss approach. The polarization and us talking about harmonization and domestic support and them having no interest in that. The polarization on export subsidies and export credit. So I think that all is significant, but you are absolutely right: There are some really tough issues that have to be discussed. We've got to fill in these numbers at some point in order to move the process forward, but you have to understand that part of our assignment here was to try to provide some leadership in the WTO, but not to mandate to the WTO what should be done. Because as you can imagine, if we came out explicitly saying this is what it is and this is what our numbers are, take it or leave it, we would be accused of a Blair House Three, or whatever.

So its sort of a double edge sword here. I think what we concluded was these were major issues, we needed to move them forward in a limited time that we had available, and now is the time to engage the rest of the membership as we're leading to Cancun in just a couple of weeks rather than us continuing to dialogue amongst ourselves. There are a hundred and twenty-some outside EU members in the WTO that need to be part of this discussion, and I'm sure that they have their own opinions.

**Q:** What happens next with this document? I mean now is the time to engage the rest of the membership. Do you hope by the time you reach the end of the month that you have more members on board supporting this or could it be modified somewhat?

**Johnson:** Well, it's really up to the membership at this point. What we have done today is Peter Carl along with myself introduced this to the Head of Delegations Meeting. Now people are supposed to go back, talk to their capitals, reflect on what they think about it. I have no doubt that people have ideas that they want to implement or put into writing in trying to move the process forward, but the General Council in the WTO is supposed to meet in less than two weeks to provide the report that the Ministers will be considering in Cancun. Obviously, this was not an easy thing for the US and the EU; it was many very late nights and a lot of hard work, and I can tell you that my staff – and I think the EU staff – have just been outstanding in the extraordinary efforts they've made to try and make this happen. So it's a very delicate negotiation, and what we are hoping, but its up to the WTO members that this provides an impetus in a framework that we

can work together on and move the process forward.

**Q:** Ambassador this is Don Wick of the Red River Farm Network. Can you elaborate on the market access provisions that were negotiated here?

**Johnson:** What it basically says is that it repeats what we said in Doha. That the Doha declaration called for substantial improvement in market access. That means that there is going to be increased access opportunities for all countries, of course in particular developing countries. We said that the parameters are going to be based on a blended formula, which was a term that Ambassador Zoellick had used in Montreal, and that each one of the elements of this formula are going to contribute to substantial improvement market access, and that's important. And then it basically breaks down into four parts.

The first part would be some percent of tariff lines would be subject to sort of a Uruguay Round cut which is an average cut and a minimum cut that you would have to take for the product in this category. But for those import sensitive tariff lines, there is going to be market access increase as a result of a combination of tariff cuts and TRQ's. The second category deals with the Swiss formula; that is, a certain percentage tariff lines will have a Swiss formula with some coefficient. A third category is there is a percent of tariff lines that are duty free, as in a zero duty. And then another element is that we say that there should be a cap or maximum tariff that members are allowed to use. It provides for if members don't want to use that, then they have to basically go into a request-offer process with the members in order to get out of that cap. That is the first, I can't emphasize enough: It's important for the first time what we have here is something that both parties agree harmonization is part of the formula and both parties agree that a cap is part of the formula and those are very important things to the United States.

**Reyes:** We have time for two more questions

**Q:** Ambassador Johnson this is Jerry Hagstrom at Congress Daily. I just want to clarify on the tariff line, it will be up to each of the countries to determine what products go in which tariff lines?

**Johnson:** The first thing that you do is you negotiate what percent of tariff lines are available and what percent of tariff lines can go in each category. So it doesn't take much imagination. If you have a small number of tariff lines that are available to the flexibility, then it would be a limited number. But I should have pointed out a third important concept that's captured in this for the first time is a commitment that there will be, even for these, increase in market access as a result of a combination of tariff cuts and TRQ's. Yes what's the percentage of tariff lines as established then the members probably engaging with their trading partners will decide which product goes in which category, but I think that everyone is interested in a very aggressive or ambitious result.

**Reyes:** We'll take one last question

**Q:** Ambassador Johnson this is Stewart Dunn with Career Channel Ag networks. In your view does the momentum or what momentum has been established by this framework agreement.

Does the framework agreement need to be put to bed by the WTO by the end of the Cancun meeting to stay on track to completing the round on time.

**Johnson:** Obviously our view was that this framework agreement provides a vehicle that members would decide this is a basis for something we can move forward out of Cancun that gives a clear direction on the negotiations. And then obviously everyone rolls up their sleeves and tries to get done with the negotiations. One of the things that is not captured by this agreement is: What's the next steps, exactly how do we go from a framework to specific numbers and then from specific numbers to specific schedules? But we're committed to still try to meet this end of 2004 objective in the WTO that we set in Doha and we're going to work hard for that. I think this common view shows how serious both the EU and the US are about it.

**Reyes:** I'd like to thank everyone for joining us this afternoon, thank you Ambassador Johnson for calling in from Geneva. Again Ambassador Johnson spoke on the record, as the head agriculture negotiator for the USTR.